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**Background Paper on Czechoslovakia for DCI Meeting with
Ambassador Designate to Prague, 12 August 1986**

Domestic Issues

The Czechoslovak leadership under party leader and President Gustav Husak has been practically unchanged since 1971, when the "normalization" following the Soviet-led invasion of 1968 was formally proclaimed.

- o This stability has masked deep divisions and has made the Czechoslovak leadership the least dynamic in Eastern Europe.
- o The leadership's immobilism reflects Prague's and Moscow's fear that any change could revive the reformist, anti-Soviet attitudes that characterized the Prague Spring.
- o The inefficiency of Prague's highly orthodox system of central planning and the growing obsolescence of industry have taken their toll on economic performance.
- o Economic difficulties could become worse if Moscow continues to insist on better terms of trade with all East European countries.
- o The leadership nonetheless continues to rule out any meaningful economic reform, although Premier Lubomir Strougal, the regime's chief proponent of economic innovation, occasionally speaks out for more rational policies.

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Despite widespread popular antipathy toward it, the regime remains in firm control as a result of its brutal suppression of political and religious dissidence and its tacit social contract with the population in which it maintains relatively high living standards in exchange for political apathy. A slowdown in economic growth in recent years, however, has limited the promised gains in consumption.

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[redacted]
[redacted] As of
now, the leading successor candidate is economic secretary
Milos Jakes, with Strougal a distant second. [redacted]

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Foreign Policy

Prague is Moscow's most loyal and reliable ally, vehemently defending Soviet positions in the West as well as in Warsaw Pact, CEMA, and other bloc councils. It is also the USSR's second largest trading partner and conducts a larger share of its foreign trade with the Soviets than does any other East European country.

- o Although probably disappointed with the Husak regime's economic performance, the Soviets acquiesced in the retention of the entire Czechoslovak leadership at the recent party congress in Prague. [redacted]

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Czechoslovakia's relations with the United States are likely to remain among the worst in Eastern Europe, despite the recent signing of a cultural and scientific exchanges agreement. Prospects for any improvement depend primarily on the emergence of a more self-confident Czechoslovak leadership as well as a warming in the East-West climate.

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